

VZCZCXRO3598  
PP RUEHBC RUEHDE RUEHIHL RUEHKUK  
DE RUEHGB #0756/01 0780937  
ZNY CCCCC ZZH  
P 190937Z MAR 09  
FM AMEMBASSY BAGHDAD  
TO RUEHC/SECSTATE WASHDC PRIORITY 2287  
INFO RUCNRAQ/IRAQ COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 BAGHDAD 000756

SIPDIS

E.O. 12958: DECL: 03/18/2024

TAGS: [EFIN](#) [ECON](#) [PGOV](#) [EPET](#) [ETRD](#) [IZ](#)

SUBJECT: IRAQ DPM BARHAM SALIH ON OIL, ICI, AND BUDGET

REF: A. A. BAGHDAD 357

[B. B. BAGHDAD 636](#)

[C. C. BAGHDAD 651](#)

[D. D. BAGHDAD 751](#)

Classified By: Economic Minister Counselor Marc Wall for reasons 1.4(b)  
and (d)

[1](#). (C) Summary: Deputy Prime Minister Barham Salih expressed satisfaction with the results of the late February oil symposium and said that he expects swift cabinet approval of recommendations to streamline management of the oil sector. While Oil Minister Shahrستاني has agreed to the recommendations, Salih cautioned that Prime Minister Maliki still has to deal with some politics on this issue. DPM Salih said that the International Compact with Iraq (ICI) should hold its Ministerial in Baghdad, but a May meeting does not appear to be feasible. Although he is not concerned about the ICI structure, DPM Salih is "worried about the politics" of the ICI. DPM Salih noted that selection of a chairman for the investment commission has been held hostage to politics. He indicated that the GoI is ready for the Dialogue on Economic Cooperation (DEC). On budget issues, DPM Salih said that the Sons of Iraq (SoI) has enough funds in the budget, but is concerned that funding for the Tribal Support Councils was cut. DPM Salih said that he will discuss the financing for GE generators with Central Bank of Iraq (CBI) Governor Sinan al-Shibibi and ask the CBI to purchase Iraqi Treasury bills that will finance the deal. End summary.

DPM Salih: Maximize Oil Production in Shortest Time  
-----

[2](#). (C) DPM Barham Salih on March 16 told EMIN that "almost everyone" at the oil symposium held in late February had agreed that the current oil policy is a "complete failure," and that the national objective now is to maximize oil production within the shortest period of time. DPM Salih noted that Oil Minister Shahrستاني agreed to and signed the symposium's recommendations document, although he indicated, without elaboration, that some recommendations had been "toned down." The symposium concluded that Iraq cannot rely on just Iraqi expertise and that the current management of the oil sector prevents Iraq from fully exploiting its oil resources. Salih added that the GoI must review its current stance against entering into production sharing agreements with foreign oil companies. He said that a process for direct contracting with foreign oil companies would be established, and that this would run in parallel with the existing bid rounds being run by the Oil Ministry.

[3](#). (C) Members of Parliament's Oil and Gas Committee are, according to Salih, very positive on the symposium's recommendations as well. Salih commented that even the Prime Minister agrees that current oil policy is a "terrible disaster" and wants to work with DPM Salih to attract foreign investment. DPM Salih said he will be reaching out to foreign oil companies, and that the recommendations document now provides him with political cover to proceed. He cautioned that the PM still has to deal with some politics on

this issue. (Comment: In a separate meeting on March 16, PM Advisor Thamir Ghadhban told us that the document containing the symposium's recommendations was almost final and would be taken up by the Council of Ministers (CoM) on either March 17 or March 24. (Note: This was not finalized on March 17. End Note.) Ghadhban declined to provide us with a copy of the planned recommendations prior to CoM deliberations. Further, in another meeting on March 16, the Deputy Chairman of the National Investment Commission (NIC) told us he had just returned from the Oil Ministry (MoO) and was pleasantly surprised to learn that, for the first time, the MoO was seeking NIC assistance in attracting foreign investors to invest in refinery and other oil sector projects. End Comment.)

¶4. (C) Looking at other means to increase oil exports in the medium term, Salih said the Kurdistan Region has the potential to produce 200,000 barrels per day and the GoI needs to look at the big picture and get beyond the "petty disputes" over Kurdistan oil contracts. Discussing practical measures is necessary right now, and the government "needs to do the politics" to resolve this problem.

ICI: Hold it in Baghdad  
-----

¶5. (C) The International Compact with Iraq (ICI) should hold its annual Ministerial in Baghdad, but the notional timeframe of May 2009 is now "too tight," said DPM Salih. Although he agreed that the ICI benchmarks should be reviewed, DPM Salih expressed no concern about the ICI structure. Instead, he said he is "worried about the politics" of the ICI: some in

BAGHDAD 00000756 002 OF 003

the GoI believe that the ICI, along with other international agreements, is an infringement on Iraq's sovereignty; according to Salih, the PM himself was not entirely happy with the ICI. DPM Salih claimed that moving the ICI process forward would require "really heavy lifting." Salih said that he will "have to get the PM on board," and will inform the EMIN after discussing the ICI with PM Maliki.

¶6. (C) DPM Salih said that the recent drop in oil prices will reinforce Iraq's need for donor assistance and help his efforts to win full GOI support for the ICI. He added that holding the meeting in Baghdad is symbolically and politically important, which would help the ICI gain momentum and suggested that visiting foreign ministers could fly in and out of Baghdad on the same day for the Ministerial. DPM Salih said that he will discuss the ICI with UNAMI SRSG Staffan De Mistura soon.

Investment: NIC and the DEC  
-----

¶7. (C) On finding a chairman for the National Investment Commission (NIC), DPM Salih said that the PM on three occasions agreed to a candidate, but in each case "politics" had intervened. He said that Sami al-Araji, Deputy Minister of Industry and Minerals, is still in the running, but that it is still up in the air. (Note: We have since heard that on March 18 the Prime Minister decided to nominate Araji for the position. He will take up the post on an acting basis once formally nominated by the Council of Ministers. He will also need Council of Representatives approval for the position. See reftel A. End Note.)

¶8. (C) DPM Salih reinforced his interest in holding a bilateral Dialogue on Economic Cooperation (DEC) in Baghdad as soon as possible. He said that the GoI is ready, and needs only four to five weeks advance notice to prepare. He reiterated his hope that a business forum be held in association with the DEC. EMIN noted that once key U.S. officials are confirmed, the USG can discuss the DEC in detail.

¶9. (C) When EMIN inquired about the status of GOI efforts to ratify the OPIC Incentive Agreement and the Trade and Investment Framework Agreement (TIFA) both signed in 2005, DPM Salih said that he would look into these and provide a response.

Budget: Sons of Iraq and GE financing  
-----

¶10. (C) When asked about the USD 100 million reportedly allocated in the 2009 budget for the Sons of Iraq (SoI), DPM Salih said that he was concerned not about funding for the SoI, but about the Council of Representatives' decision to remove funding for the Tribal Support Councils. If you cut the financing of the councils, DPM Salih said, you strike at the SoI. (Comment: Many outside the Da'wa Party consider Tribal Support Councils to be a Maliki stratagem for increasing his influence in the provinces. End Comment.) DPM Salih commented that there is enough room in the budget for SoI. (Comment: Emboffs have heard separately that the Council of Ministers on March 17 authorized the transfer of sufficient funds to the Ministry of Interior to pay for SoI salaries. See septel. End Comment.)

¶11. (C) On financing for the contracts signed late last year to purchase new generators from GE and Siemens, DPM Salih said that he will meet with CBI Governor Sinan al-Shibibi to discuss this issue. He said that the CBI has to accept purchasing Iraqi Treasury bills that will finance the deal. He stressed that the CBI "must buy" these Treasury bills because the CBI Governor "needs to understand" that purchasing them is an investment in Iraq's infrastructure. Qpurchasing them is an investment in Iraq's infrastructure. (Comment: The Minister of Finance has also proposed an alternate plan to fund these contracts through a transfer of capital funds from other ministries and provinces to the Ministry of Electricity. This would not reduce the overall capital budget, but be merely a reallocation of funds. See reftel D. End Comment.)

WTO: Status of New Customs Legislation  
-----

¶12. (C) EMIN noted the importance of moving forward with Iraq's WTO accession and expressed concern about the compatibility of proposed new customs legislation with WTO standards (reftel B). Salih said that either the Ministry of Finance or the Ministry of Trade is currently working on the new customs legislation, but that his office has not seen it yet.

SFA: JCC Meeting in Late March

BAGHDAD 00000756 003 OF 003  
  
-----

¶13. (C) On the Strategic Framework Agreement, DPM Salih said that he is preparing to write an editorial on the significance of the SFA. He added that the prosperity of Iraq depends on the bilateral relationship. DPM Salih said he wants to hold the next meeting of the Joint Coordinating Committee on Economics and Energy at the end of March, and hopes for substantial results.  
BUTENIS